

Our FY 2011 administrative expenses appropriation was \$11.4 billion, nearly \$1 billion below the amount that the President requested. Congress also rescinded \$275 million from our Information Technology no-year funds. As a result, we had to make significant cuts.

We considered a range of reductions, including services we could discontinue or postpone to preserve our highest priorities. Instead of cutting equally across the board, we have tried to prioritize activities based on their importance to the American public.

Reducing Our Payroll Costs

The most significant expenditure in our budget is the cost of the people we need to handle our work. We could not afford to replace the 3,500 full-time employees we estimated we would lose to attrition in FY 2011. We implemented an agency-wide hiring freeze early in FY 2011, with a limited exception for our hearings offices, because we could not afford to hire, train, and retain new employees. If we receive the same level of funding in FY 2012 as we did in FY 2011, we expect to lose another 4,400 employees for a total loss of 7,900 employees, or approximately 10 percent of our staff, in two years. This significant decrease in staff is occurring at a time when our workloads have increased drastically. Our disability program is the most resource-intensive of our workloads. In FY 2011 alone we estimate that we received about 25 percent more initial disability claims and 40 percent more hearings than we received in FY 2008.

We also have significantly reduced overtime. In addition, beginning August 15, 2011, we closed Social Security field offices to the public 30 minutes early each day. Reducing public hours allows field office employees, who continue to work regular hours, to complete interviews without using overtime. Simply cutting off interviews after a long wait could significantly increase violence against our front-line employees.

Reducing Our Real Estate Footprint and Expanding Electronic Services

We cancelled our plans to open a new teleservice center and eight new hearing offices, which would have cost us over \$40 million to operate each year. In addition, we consolidated offices where it made business sense, which will save about \$5 million each year.

Finally, we stopped visiting most field and hearing remote service sites. Employees had to travel to these sites during business hours and often had to re-enter information collected during these visits into our computer systems once they returned to the office. We cannot precisely estimate the value of this change, but it will allow us to handle more claims within our current resources.

To serve our customers in a time of declining budgets and increasing workloads, we have expanded our electronic services:

- We redesigned our online applications to make them easier to use, which has increased the number of retirement and disability claims filed online. In FY 2007, less than 10 percent of retirement and disability applications were filed online. After we introduced our new, user- friendly online iClaim application in December 2008, the number of applications filed

online immediately increased. In FY 2009, the number of claims filed online nearly doubled from FY 2008. In FY 2011 through August, nearly 41 percent of retirement applications and nearly 33 percent disability applications were filed online successfully. Online applications have been vital to helping our offices deal with the sudden influx of new claims. iClaim saves our employees nearly 15 minutes for every retirement claim and over 20 minutes for every disability claim filed online; employees use this time to focus on other more-complex workloads.

- We used video conferencing technology to expand our capability to conduct administrative hearings. In June 2011, the Administrative Conference of the United States (ACUS) endorsed the use of video hearings as a best practice to reduce backlogs and adjudicate cases more efficiently. See Administrative Conference of the United States (ACUS), Administrative Conference Recommendation 2011-4, *Agency Use of Video Hearings: best Practices and Possibilities for Expansion*, which recognizes SSA as a leader in the use of video hearings.

Reducing Our Mailing Costs

As of March 28, we suspended issuing Social Security Statements. As a result, we saved approximately \$30 million in FY 2011 and will save nearly \$60 million in FY 2012. We do not know how much we will save in future years, but with huge deficits at the Postal Service that may result in more dramatic rate hikes, we might easily be spending \$1 billion in postage for the earning statement if we continued with the status quo.

We also reduced the mailing of, or completely suspended, other lower priority notices. For example, we will mail Ticket to Work notices only to the 20 percent of beneficiaries who are most likely to return to work. As of August 2011, total savings to date for that decision are over \$2 million.

Increasing Program Integrity Work

Since FY 2009, we have conducted more than 7.5 million program integrity reviews (Continuing Disability Reviews (CDRs) and redeterminations) with expected 10-year savings of \$19 billion in Social Security, Supplemental Security Income (SSI), Medicare, and Medicaid program dollars.

If we receive the full amount of Budget Control Act authorized funds over the next 10 years (FY 2012-2021), we estimate that we would be able to conduct 34 million reviews and save an estimated total of \$70 billion in program dollars. We will not be able to achieve such savings if the budget forces us to continue a hard staffing freeze on our field operations.

Using Technology to Increase Eligibility and Benefit Accuracy in the SSI Program

We recently implemented an automated process to uncover undisclosed financial account assets that affect SSI program eligibility and benefit amounts. Once we fully integrate this process into our benefit payment system and our employees and the financial institutions gain experience with the process, we plan to increase the number of bank searches. When fully implemented in

FY 2013, we expect \$20 of lifetime program savings for each administrative dollar we spend, or roughly \$900 million in lifetime program savings each year. In order to increase out administrative costs for this program, however, we have had to cut other activities.

We are also piloting a similar program to help us identify undisclosed real property owned by SSI recipients.